

E-278,321/SA-86-208ACKNOWLEDGING AGREEMENTS AND DIRECTING THE
DEPARTMENT OF PUBLIC SERVICE TO CORRECT SERVICE AREA MAPS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of the Application of the City of Mountain Iron to Extend its Municipal Electric Service Area into an Area Served by the City of Virginia Department of Public Utilities

ISSUE DATE: November 29, 1988

DOCKET NO. E-278,321/SA-86-208

ORDER ACKNOWLEDGING
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PROCEDURAL HISTORY

On April 29, 1987, the City of Mountain Iron (Mountain Iron or the City) submitted a letter-petition to the Minnesota Public Utilities Commission (the Commission) requesting resolution of a dispute with the Public Utilities Commission of the City of Virginia (Virginia PUC). The City owns and operates a municipal electric utility that serves part of the area within its corporate limits. A portion of the service area of the Virginia PUC also lies within the City's corporate limits. On March 30, 1987 the City made an offer to the Virginia PUC for the purchase of a portion of the Virginia PUC's service area that lies within the City's corporate limits. The Virginia PUC opposed the sale.

On July 2, 1987, the Commission set the matter for hearing pursuant to Minn. Stat. § 216B.44 (1986) to obtain information necessary for the Commission to determine the appropriate value of the facilities which would be transferred or sold.

On August 18, 1987, the City submitted an Amended Application on Behalf of the City of Mountain Iron.

Prior to the start of public hearings, the City and the Virginia PUC conducted settlement negotiations. Three separate agreements resulted from those meetings: a Settlement Agreement, dated May 26, 1988; a Purchase Agreement and a Wholesale Electric Service Agreement, dated October 6, 1988.

Under the agreements, the City will pay or has paid \$100,000 for acquisition of the facilities and service area. The City also will purchase wholesale power from the Virginia PUC for twenty years.

On October 26, 1988, Administrative Law Judge Allan W. Klein returned the official record to the

Commission for any necessary further action.

The Commission considered this matter on November 15, 1988.

FINDINGS AND CONCLUSIONS

The issue before the Commission is whether the parties settlement of this matter embodied in their agreements complies with Minn. Stat. § 216B.44 (1986).

The Commission finds that Minn. Stat. § 216B.44 (1986) governs this matter. That statute states in part:

Notwithstanding the provisions of sections 216B.38 to 216B.42, whenever a municipality which owns and operates an electric utility (a) extends its corporate boundaries through annexation or consolidation, or (b) determines to extend its service territory within its existing corporate boundaries, the municipality shall thereafter furnish electric service to these areas unless the area is already receiving electric service from an electric utility in which event, the municipality may purchase the facilities of the electric utility serving the area. The municipality acquiring the facilities shall pay to the electric utility formerly serving the area the appropriate value of its properties within the area which payment may be by exchange of other electric utility property outside the municipality on an appropriate basis giving due consideration to revenue from and value of the respective properties. In the event the municipality and the electric utility involved are unable to agree as to the terms of the payment or exchange, the municipality or the electric utility may file an application with the commission requesting the commission determine the appropriate terms for the exchange or sale.

Here, the City operates a municipal electric utility and wants to provide utility service to an area within its corporate limits. In its April 25, 1988 Order in In the Matter of the Application of the City of Delano to Extend Its Municipal Electric Service Area into an Area Served by Wright-Hennepin Electric Cooperative Association , Docket No. E-228, 148/SA-87-379, the Commission stated:

The Commission finds that Minn. Stat. § 216B.44 (1986) contemplates private negotiations between a municipality which operates an electric utility and the other electric utility regarding municipal service territory extensions. In the event that those negotiations fail, the statute establishes a procedure, a contested case hearing, and provides standards for the Commission to determine appropriate terms for the exchange or sale.

In this case, the Commission finds that the City of Mountain Iron and the Public Utilities Commission of the City of Virginia have both property and financial interests. They have negotiated mutually acceptable agreements. The Commission will acknowledge those agreements and close this docket. Further, the Commission will direct the Department of Public Service to make appropriate changes in the service area maps involved.

ORDER

1. The Commission hereby acknowledges the agreements between the City of Mountain Iron and the Public Utilities Commission of the City of Virginia as discussed above and closes this docket.
2. As soon as practicable, the Department of Public Service shall make changes to the service area maps which reflect the agreements discussed above.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)